Illinois Commerce Commission Post 2006 Initiative
Final List of Issues

Introduction

Reliant Resources, Inc. ("RRI") appreciates the opportunity to provide responses to the Illinois Commerce Commission ("Commission")'s Post 2006 Initiative Final List of Issues and will be an active participant in the upcoming workshops. RRI wishes to offer a framework for the Illinois market beginning in 2007 that will allow for robust, sustainable competition to benefit Illinois consumers. This framework is designed to work within the current Illinois Electric Service Customer Choice and Rate Relief Law of 1997 ("Choice Law"). However, RRI suggests that the Commission and stakeholders recommend changes to the Choice Law to better enable the development of a robust, competitive electric market in Illinois. In order to present the framework in a concise manner, a brief description of the framework and a recommended list of changes to the Choice Law will be given prior to the answers to the Final List of Issues.

RRI's Framework for the Illinois Market

Retail Market Design

For robust, sustainable retail competition to flourish, fundamental economic principles should be considered, primary of which is that competitive market forces are more effective than economic regulation in arriving at efficient prices. Therefore, care must be exercised in formulating any default/Provider of Last Resort ("POLR") product that incumbent utilities continue to offer. The only regulated services offered post-2006 should include default service, available for customers who do not choose a competitive provider and Provider of Last Resort ("POLR") service for customers whose retail provider ceases to provide service (e.g., bankruptcy). Default/POLR service should be fairly priced including consideration of the risks associated with providing the service, and should be adjustable to reflect changes in market prices (e.g. changes in power prices or fuel prices). While the price for default/POLR service may be a regulated price, the provider should be free to procure supply in a manner that best meets the individual risk profile and load obligations of the provider.

The default/POLR services should be priced in a manner to foster competition. Default/POLR prices should establish the ceiling against which other competitors must compete to enter the market; therefore, these prices must be initially set to allow competition and then must be adjustable to changes in market prices. Customers should be free to switch off of default/POLR service at any time.

Large customers have a great deal of market sophistication and generally have the ability to shop for products and services that meet their specific needs. The technology exists for these customers to monitor usage on an hourly basis and the

financial benefits of saving even a few mils per kilowatt-hour can be significant due to the volume these customers consume, thus their incentive to navigate the market for the best deal is high. Likewise, due to these customers' high volume usage, retail suppliers have an incentive to design products to address individual customer desires. As such, these customers need little to no safety net and have been the first to take advantage of hourly-priced products in other markets in other states. Once market limiting factors such as below market rates expire, there is no need for the utility to offer an array of default/POLR services to these customers and indeed such a design may stifle the competitive market. Instead, the only default/POLR service for large customers should be an hourly-priced product; this design will result in the largest number of retail suppliers offering competitive products to customers. There should be no switching restrictions for large customers. Customers not selecting a provider would be placed on hourly default/POLR service. This market design will allow for robust, sustainable competition to develop for this customer class.

Small commercial and residential customers may face slower transition to robust competitive offers than the large customers due to lower consumption patterns, less financial incentive due to lower consumption, and the technological inability to respond to usage hourly. Therefore, compared to large customers, a less frequently adjustable default/POLR price should be designed. The Commission should establish an initial commodity price that allows for sufficient headroom when compared to market prices at the end of the transition period. To allow for adjustment to wholesale price changes, a transparent adjustment mechanism should be established based on a known market index. In order to allow alternative retail providers to enter the market and remain in the market, the default/POLR provider should have the opportunity to adjust the default/POLR price twice per year. Allowing retail prices to change with wholesale price changes will ensure all parties that the default/POLR price will not become below market, thus allowing confidence for new market entrants, which will lead to robust, sustainable retail competition. This plan will allow the default/POLR price to appropriately reflect changes in wholesale prices and will be conducive to the development of robust, sustainable competition for this customer class.

The large customer default/POLR prices should include a retail adder so that the default/POLR price is not set too low and thus thwart the goals of competition envisioned by the Illinois Choice Law. The retail adder should only be applied to those customers taking default/POLR service as it is meant to be, at a minimum, fully compensatory of providing default/POLR service. The Commission should ensure that the retail service fee is set at a level that allows competition to flourish. These incremental costs are bypassable and should not be applied to switching customers.

This framework will ensure that the default/POLR price appropriately reflects changes in wholesale prices and will be conducive to the development of robust, sustainable retail competition for all customer classes.

Wholesale Market Design

RRI believes that a workable wholesale market includes membership in a Regional Transmission Organization ("RTO") or an Independent System Operator. Some benefits of joining an RTO include independent grid operation; regional transmission planning; market monitoring and market power mitigation; and spot markets and congestion management. To maintain the long-term viability of the wholesale market, RRI believes that a sufficiently forward-looking resource adequacy mechanism must be implemented (including demand response). A level playing field is also necessary so that in the end state there is no cost-of-service generation.

Recommended Changes to the Choice Law:

To enable the development of a competitive marketplace, RRI recommends that the following changes to the Choice Law be considered:

- The incumbent utilities should not offer cost of service rates, but should instead offer market-based rates per RRI's framework.
- The utility should no longer be required to be the default/POLR provider for any customer class after a specified transition period.
- While a POLR provider may continue to be necessary following the specified transition period, this service could be provided through means other than utility offerings
- The requirement that utilities must offer real-time prices should be removed since this service will become the default/POLR service, as other rates are deemed competitive.
- The utility should not be able to offer competitive services. A competitive affiliate may do so.

The following responses address the above framework in more detail.

RRI Response to Final List of Issues

Power Procurement Issues

1) **What are the overarching goals of post-2006 energy acquisition: promoting efficient wholesale and retail competition, assuring reliable current supply, encouraging adequate development of future resources, achieving the lowest average rate, and/or preservation of stable rates?**

Based on the Choice Law, RRI believes that only through adoption of its market proposal described in the Introduction will there be sufficient wholesale and retail competition, reliable supply and encouragement of adequate development of future resources via market-driven methods. Competitive wholesale and retail markets are inextricably linked and procurement strategies

will depend upon the risk profile of the retail provider, including the ability to reflect wholesale prices in retail rates. The Choice Law is about moving away from centralized, administrative planning to a market model where customers drive these choices.

2) **What electricity procurement strategies best achieve Illinois' policy goals? Should one strategy be used, or may different answers be appropriate in different circumstances?**

Illinois' goals for the electricity market can best be achieved by designing a market that fosters a workably competitive wholesale market and robust, sustainable retail competition. A workably competitive wholesale market includes an independent system operator, a resource adequacy mechanism that allows forward market forces to work (including demand response), and a level playing field (in the end state, no cost-of-service generation) as discussed in the Wholesale Market Design section of the Introduction. Price, load, and other retail risks are best managed by procuring power from a competitive wholesale marketplace. Each retail provider should purchase supply based on its own risk profile. An administratively determined procurement strategy would not be in the best interests of all retail suppliers since it will result in retail rates that can diverge from market, and if wholesale prices are higher than the administratively determined rate, then no competition ensues. As competition develops in the Illinois electric market and customer switch off default/POLR service this question becomes largely moot since very little load will remain on default/POLR service. As the default/POLR load is reduced, supply procurement risk is greatly reduced.

3) **What electricity procurement rules can be established by the Commission? To what extent do these issues lie within the exclusive jurisdiction of the FERC and federal law?**

RRI offers no comment at this time.

4) **To what extent should the Commission provide specific guidance or direction to utilities regarding how they should conduct their supply acquisition activities? What assurances will parties participating in such a process have that the result will not be subject to subsequent change or review?**

The Commission should allow discretion regarding supply acquisition activities. As noted in previous responses, a retail provider should be able to procure supply from a competitive wholesale market in any manner it chooses, as they alone know best what risk profile they need to meet their load obligations. The Commission should encourage retail rate designs through implementation of RRI's framework described in the Introduction that allow for

reflection of wholesale price changes and a retail adder in order to allow competition to be robust and sustainable.

5) **What are the pros and cons of obligating utilities that do not own significant production assets to be responsible for active supply portfolio management? What alternatives are there? How can the market be used instead?**

Regardless of a utility's and/or alternative retail provider's production asset ownership; competitive market forces will require active supply portfolio management. Utilities have traditionally been responsible for supply procurement and the only thing that has changed with the market restructuring is that there is now a much more liquid wholesale market from which the utilities can procure supply. Those companies in charge of serving load know best how to manage their load.

Competitive wholesale markets allow for retail providers to procure capacity and energy without owning production assets. For example, in Texas, RRI's affiliated retail electric provider serves over 13,000 MWs of load, but owns less than 1,000 MWs of generation.

6) **Is it appropriate for a distribution or "wires" utility to bear commodity risk, *i.e.*, to have retail a rate structure and be subject to a procurement process that expose it to financial risk depending upon market behavior?**

RRI believes that post-2006 a competitive affiliate of the utility should offer real-time default/POLR options to all customers post-2006. However, under a construct wherein the utility offers this service, it is appropriate for the utility to bear the risk and rewards. Wholesale price risk can be mitigated through linkage of retail prices and wholesale price changes. This can be done through the establishment of either hourly default prices for large customers and a wholesale market-based adjustment mechanism to fixed prices for smaller customers as proposed by RRI and discussed in the Introduction.

7) **How do we expect wholesale electricity prices to behave in 2007 and beyond? Apart from their level, how volatile will they be?**

Wholesale prices can be expected to reflect supply/demand conditions in 2007 coupled with prices in other markets such as fuel and environmental costs. As in the regulated environment, wholesale prices will exhibit variability according to the supply/demand conditions every season of every year. Higher prices in the regulated environment were passed on to customers through a fuel factor adjustment. Price variability exists in both competitive and regulated markets. The benefit of competition is that competitive pressures will result in more efficient (and for any retail company that is not efficient via their procurement strategy, price conscious customers can always switch providers) resource

procurement strategies than regulated, administratively determined resource procurement strategies.

Establishment of sound market rules that allow competitive markets to flourish will result in needed generation investment that will help mitigate price fluctuations. Due to concern over resource adequacy, RRI has advocated that a sound resource adequacy model, known as Resource Reliability Commitment ("RRC"),[1] be implemented. Implementation of such a program will prevent volatile prices that result from insufficient supply.

8) **What quantity and type of generation will be available to serve Illinois' load in 2007? Will we continue to enjoy a surplus in all segments? Will new generation or transmission construction be necessary?**

Establishing market rules that allow for robust, sustainable competition is the best way to ensure that adequate supplies will be available. Adoption of RRI's resource adequacy proposal will provide further assurance. A workable market design will allow entities to respond with generation or transmission construction as needed.

9) **What will the wholesale market structure look like in 2007? What effect will the establishment of working markets in the PJM and MISO footprints have?**

With ComEd's joining of PJM and the potential for other Illinois' utilities to join MISO and/or PJM, the wholesale market structure should have a statewide LMP price signal. The participation in these working markets, along with a resource adequacy mechanism, will increase price transparency, liquidity, and price signals to consumers which will allow consumers to make the best possible economic decisions about their energy usage and risk assumption.

10) **What can the Commission do to help ensure that seams issues between PJM (of which ComEd is a member) and MISO (of which Ameren and Illinois Power will likely be members) do not inhibit movement of power across the state?**

Active participation in the PJM and MISO stakeholder processes, including the Organization of MISO States ("OMS"), will allow the seams issues to be addressed in the proper forum. Joint and common market constructs between PJM and MISO should be encouraged. These constructs should include resource adequacy between PJM and MISO, common market mitigation between PJM and MISO and control area consolidation within MISO.

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[1] Testimony of Bruce Bleiweiss; Testimony of Frederick John Meyer; and Reply Testimony of Frederick John Meyer in Maryland PSC Case No. 8980.

11) Will coordination by MISO and PJM-West successfully eliminate the existing RTO seam from the perspective of increasing competition in the post-2006 power acquisition process?

Coordination between MISO and PJM should reduce seams issues by definition. Such coordination should increase competition by working to make supply from both markets virtually interchangeable.

12) Will the distribution companies or the suppliers of power for bundled customers be designated the Load Serving Entities (LSEs)? In other words, will the PSAs that result from a competitive process be considered wholesale contracts with the IDC or retail contracts with the end use customers?

The entity that provides electric service to the end-use customer should be designated the load-serving entity. LSEs contracting for power in a competitive market will simply procure supply in the manner that best meets their risk profile. The LSEs then charge customer prices based on wholesale price changes. LSEs may structure the contracts with customers based on the customers' desired electrical attributes (i.e. price, term, etc.).

13) With the advent of RTOs in Illinois, more economic methods of addressing transmission congestion will be available. How does this affect the competitive generation market and the ability of utilities to more efficiently procure electricity?

From a procurement perspective, utilities should get more transparent pricing and liquidity to allow them to better manage their supply procurement risk.

14) Should utilities procure power for bundled customers through auctions, competitive bidding or similar acquisition processes? How should auctions, competitive bidding, or other acquisition processes be structured?

As previously noted in response to Question 2, procurement decisions should be left up to the retail provider. Procurement through an auction or competitive bidding process leads to a return to an Integrated Resource Planning ("IRP") style procurement process. Such an administratively determined proxy will hinder the development of a sustainable, robust competitive retail market as discussed further in the response to Question 17. A true competitive market needs no substitutes – buyers and sellers should be able to meet their needs through market-based solutions, not administrative solutions. Therefore, RRI does not recommend that the utility procure supply through either an administratively determined auction process or an administratively determined competitive bidding process.

15) **Should power acquisition practices be structured any differently where wholesale markets are not fully competitive?**

Power acquisitions should be carried out to support RRI's framework through a workable competitive market, such as PJM, as access becomes available or through the Illinois competitive wholesale market.

16) **As part of the power acquisition process, should utilities be required to file energy plans? What information should be provided? What role would this information play in ratemaking and/or prudence review of costs? Is regulated planning of this nature antithetical to the development of competitive markets and to the efficient price signals that are required for such markets to function well?**

Utilities should not be required to file an energy plan. Filing an energy plan (or integrated resource plan ("IRP")) effectively defeats the goal of creating a market design that allows for robust, sustainable retail competition. As noted in the response to Question 2, utilities should procure power from the competitive market place. Procuring power through an administratively determined process will not further the development of competition in Illinois because:

- An IRP process substitutes regulated choices for those of the competitive market, thereby allowing special interests to override customer choice;
- If utility prices do not reflect the IRP-related costs, the utility will bear unreasonable financial risk;
- If IRP-related costs are passed on to customers, it decouples customer price from market, along with all the problems arising from that outcome; and
- The historical disconnect between market prices and IRP driven prices was one reason for the move to competitive markets.

In competitive markets, supply procurement by retail providers, including the utilities, should not be subject to a prudence review of their costs. Competitive forces will determine the appropriate price for goods and services from competitive suppliers and those that are out of line will have to adjust their prices or will be driven from the market. For the default/POLR suppliers, having a price that adjusts to prevailing market prices will allow the default/POLR provider to recover its procurement costs and to offer a default/POLR price that is complementary to a competitive marketplace. However, the default/POLR price offered by the utility should not be an obstacle or substitute for a competitive marketplace.

17) **Utilities that do not own generation will rely on the financial and operational soundness of their suppliers. What credit and reliability requirements should be required in the acquisition process? How should we address the supplier defaults?**

Consistent with RRI's framework that the default/POLR providers procure power in a manner that meets their own risk profile, the utility should determine its own credit requirements and will bear the risk of default. However, adopting market-adjustable rates will mitigate credit risk tremendously. Credit requirements should not be administratively determined.

18) What is the role of interruptible and curtailable load and energy efficiency / DSM initiatives in cost-effectively limiting the resources required? How can the market aid utilities in making these decisions?

The default/POLR product is not the place to offer demand side management. While demand response is a key component of customer choice and an efficient competitive wholesale and retail market, the wholesale market/RTO rules are critical to fostering DSM. Supply procurement should be fair and offer consistent treatment for all market participants. Demand response should be selected in a competitive market-based process as opposed to an administrative method. Allowing demand response or generation to set the market-clearing price will provide a transparent mechanism that will allow retail providers to make the supply decision that best meets their needs.

19) Should utilities use financial markets to hedge their purchases for their bundled customers? Should energy efficiency and demand reduction be considered as a hedging strategy?

Utilities should be able to hedge their purchases for default/POLR service customers in any manner that meets their risk profile. However, DSM should be done through a competitive affiliate so that the utility does not have direct contact with DSM customers.

20) Should energy efficiency be deployed as a supply substitution resource? If so, how?

The utility should be free to choose a supply portfolio and strategy that best meets that utility's risk profile and load obligations. Where consumers, via real-time metering and curtailment capabilities, are able to shift or reduce usage, market-based mechanisms should allow for such market participation. In the Texas' market, the Electric Reliability Council of Texas ("ERCOT")'s Load Acting as a Resource ("LaaR") program has been successful:

ERCOT'S LAAR PROGRAM

- Customers with loads that can have their electricity supply curtailed or interrupted and meet technical requirements for supplying Ancillary Services may be qualified as a Load Acting as a Resource or "LaaR"
- Responsive Reserve is one type of LaaR Ancillary Service in Texas:

- Responsive Reserve requires that an Under Frequency Relay (UFR) be installed at the Customer's location. A UFR will instantaneously interrupt the Customer's power supply when the frequency on the Texas power grid drops below 59.7 HZ

- Responsive Reserve also requires that the Customer have real-time load metering, breaker status, and relay status installed for monitoring purposes

- A provider of Responsive Reserve Service is eligible for a capacity payment for every hour they provide the service, regardless of whether the Customer's electricity supply is actually curtailed

- ERCOT determines when the customer has its electricity supply interrupted, Reliant does not control when power supply to the customer will be curtailed

- Loads must have the ability to stop consuming electricity under two scenarios:

1. Instantaneously when ERCOT's frequency falls below 59.7 HZ

2. Within 10 minutes if manually dispatched by ERCOT during emergency situations

Reliant Energy Solutions ("RES"), a competitive retail subsidiary of RRI, was recently named Risk Manager of the Year by London-based Energy Risk magazine. RES was recognized for innovation in the development of products to meet customers' risk profiles, while allowing those customers to benefit directly from their operational flexibility.

RES' LAAR PRODUCT

- Reliant offers electricity contracts that facilitate the ability for a customer to provide value added services to the market, thus reducing their overall power spend

- One product offered by Reliant that allows customers to receive a discount to their power commodity contract is the Long Term LaaR Responsive Reserve Product Feature

- Under the Long Term Responsive Reserve Product:

  - Customer sells a fixed amount of LaaR Responsive Reserve Capacity to Reliant for all hours for the term of the contract

  - Reliant provides Customer a fixed price discount to their base power contract

  - If Customer has planned maintenance or an unexpected downtime at the plant they are charged the Market Clearing Price of Capacity for Responsive Reserve

(ERCOT's index) for the hours during the month when the load was unavailable to provide the Responsive Reserve Service

21) **Many demand reduction (DR) and energy efficiency (EE) activities show net benefits for distribution utilities, generation companies, and consumers. However, the benefits of a single DR activity are split between different market sectors. Despite the widespread benefit of DR and EE, there is no mechanism for sharing the cost of this activity across market sectors. In light of the system-wide benefits, should distribution utilities be required to consider energy efficiency and/or demand reduction procurement on the same basis as procurement of energy? What is the role of the Commission in facilitating the adoption of beneficial initiatives with these types of split incentives in the market?**

Demand response, including load reduction based on price response and energy efficiency, should result from a robust, sustainable retail market. See the response to Question 20 for a successful program implemented in the Texas market. Clearly, there are market means to achieve these benefits. Price responsive load provides benefits to the entire market by creating efficiencies that get passed on to all participants.

22) **Should utilities be required to use a designated percentage of renewable energy as part of their supply portfolio?**

Competition itself will be the best provider of renewable energy. Mandates serve to distort, rather than enhance market needs. The best market design for renewable energy is to allow market structures where consumers have the choice to procure renewable products. However, if policy makers should choose to include "mandated" renewable energy percentages, it should be done through market-based mechanisms that create an obligation on all retail providers so that a level playing field is ensured. Pricing transparency and electricity pricing should be reflected in mandated renewable portfolio standards.

23) **Should the utilities be required to use multiple supply sources rather rely on a single source? What types of products should be procured? Should utilities build a supply portfolio with standard products, or rely on the provision of full requirements products? Should energy purchased through any of these methods be acquired in small units or in large blocks? Why?**

Supply procurement decisions should be left up to the retail provider in terms of number of suppliers, type of resources, and size of the power units. The retail provider should be responsible for managing its own supply procurement in the manner that best suits its risk profile and load obligations as

discussed in the response to Question 2. Retail providers know their own risk profile better than anyone else and it is through competitive forces that efficient supply portfolios are procured; not administrative models, such as through a Commission filed IRP. By its very nature, IRP does not allow for the flexibility to hedge and procure such a dynamic product.

24) Should utilities be allowed to make any or all their purchases through an unregulated affiliate? Why or why not?

The default/POLR provider should be able to procure supply in any manner that it chooses as previously discussed. Purchases through an unregulated affiliate should be allowed.

25) What additional safeguards, if any, should be included in purchase agreements and intercompany operating agreements between a utility and its affiliates?

Strict code of conduct requirements between the utility and the unregulated affiliate are necessary.

26) Are there barriers to efficient development of co generation and self-generation, including but not limited to projects of a size and scope to permit them to serve multiple nearby industries that should be eliminated? If so, how can they be eliminated?

RRI offers no comment at this time.

27) To what extent should preapproval/predetermination of prudence of the utility's power purchases (via RFP's, auctions, etc...) be included in utility power procurement? To what extent should preapproval/predetermination of portfolio planning be included in utility power procurement?

See response to Questions 3, 14 and 16.

28) In addressing power procurement issues, the Commission also needs to consider that some utilities are multi-jurisdictional, remain vertically integrated and continue to own generation. Given that generation decisions are made on a system-wide basis and that these companies may be procuring little or no power in the market for their customers, does it make sense to apply power procurement requirements to these utilities?

In those jurisdictions where the utility participates in a competitive market, the utility should be able to meet load obligations in any manner it so chooses. If the utility still owns generation, the Commission must ensure that strict codes of conduct are in place, level playing fields exist and rules that allow

procurement consistent with their own risk profile (either via their own resources or via a competitive wholesale market) are in place.

29) **Parties have expressed concern that current MISO business practices do not accommodate the post-2006 shift in supply responsibility that will occur in Illinois post-2006 and the classic ATC process is designed to address incremental changes to the base use of the transmission system. Post-2006 the MISO and PJM-West definitions of "network resources" may need to be modified to accommodate this statewide shift in supply responsibilities. Can MISO and PJM-West "pre-approve" network resources on a statewide basis? Will a network resource designated by PJM or other RTO also be able to transmit power into MISO service areas under its network resource designation and vice versa?**

This issue should be dealt with as the LMP and resource adequacy programs evolve. The current concept of "network resources" may not be applicable as changes are made to accommodate a resource adequacy program. Ideally the seams between PJM and MISO should work in such a way that generation located in either region can be committed to serve load in the other.

Rate Issues

30) **Should the Commission initiate rate proceedings for each electric utility prior to 2007?**

At the time the utilities began to offer delivery service, costs related to customer care such as uncollectibles, remained with the utility. As competition has emerged in various customer classes, the utilities are performing customer care services for a smaller customer base and alternative retail suppliers are now performing these services. Therefore, costs such as uncollectables should be removed from the utilities' delivery charge and made bypassable.

31) **Should rates be determined, and shown on the tariff sheets, for both bundled and delivery services, as individual rate components, in a manner such as: customer charge, meter charge, distribution delivery charge, transmission delivery charge, and supply charge? If so, should there be a single proceeding to reset the delivery component that would apply to both bundled rates and delivery service?**

RRI would support a single proceeding to determine the appropriate delivery component that would be applicable to utility customers taking default/POLR service.

32) Should each utility have the same customer classes for both bundled and unbundled customers?

It is not necessary that the customer classes be the same for both bundled and unbundled customers. As long as the appropriate charges are applied to each customer class, consistency is not absolutely necessary.

33) Should rates be reset on a monthly or yearly basis or should rates be fixed for a multi-year period? Or, should an assortment of these products be made available?

As stated in the Introduction, default/POLR pricing for large customers should be hourly. The default/POLR pricing for small customers should begin with an initial commodity price that can be adjusted through a transparent, market-based index no more than twice per year by the default/POLR provider. Seasonal pricing applied to the small customer default/POLR products would remove customer incentives to arbitrage single fixed-price default/POLR service due to variations between summer, winter and spring/fall seasons, making switching restrictions unnecessary. Single fixed-price default/POLR service can become below market during the summer when market prices generally increase due to higher demand levels, thus providing incentive for customers to switch away from competitive suppliers with market-based service to single fixed-price utility service. During spring and fall, the reverse will generally happen, such that market prices can become lower than the fixed-price default/POLR service due to reduced demand for electricity during these months. Customers would then seek out alternative suppliers offering market-based prices that are lower. Winter peaks can also cause price variations relative to a fixed-price product. These arbitrage opportunities can be addressed by prohibiting customer switching, but switching prohibitions do nothing to foster a robust, sustainable retail market. Seasonal pricing would limit customer arbitrage opportunities and allow for the development of robust, sustainable retail choice. The utility should not offer multiple products that compete with alternative supplier offerings.

34) To what extent should non-competitive tariffed energy service offerings by utilities be hedged against fuel price/ market price risks? Should utilities attempt to hedge for their full expected load serving obligation, or only for a portion? For how long should prices be hedged?

The default/POLR provider should hedge their supply according to their risk preference.

35) Should the type or extent of hedging be different for different classes of customers? For example, is the need for hedging less for customers who have greatest direct access to competitive markets?

See response to Question 34.

36) How should hedging costs be recovered in utility rates? How should prudence for hedging efforts and costs be assessed?

Supply procurement costs are in the purview of the utility. Since default prices should be set such that they reflect changes in market prices, there is no need to administratively determine or "conduct" a prudency assessment. The utility will have to recover its procurement/hedging costs within the confines and through market-adjustable rates charged to retail customers for default/POLR service that are at least fully compensatory. Therefore, RRI does not advocate a prudence review of supply procurement costs.

37) To what extent can rate design and switching rules reduce the costs of hedging? What are the implications for such changes on the competitive retail marketplace?

Allowing market adjustable pricing and appropriate switching rules will determine the success of the retail market. Allowing customer switching creates an environment necessary for competitive retailers to enter the marketplace. It is competition that will result in competitive prices, not regulated models that attempt to substitute regulated choices for competitive choices.

38) How can the costs of providing tariffed non-competitive energy service best be recovered by utilities? Should rates simply be fixed at levels that are forecast to recover utility costs? Alternatively, should rates be based on a relatively current measure of market value and perhaps be reset frequently. Should new market value estimation methods be developed if rates are to be based on market indices? What, if any, are the uses for the Neutral Fact Finder processes in the post-2006 period?

Market-based rates should be set at a level that provides the default/POLR provider full compensation for the service. As discussed in the Introduction, utility default/POLR rates should be hourly rather than fixed for large industrial and commercial customers. Market-adjustable fixed prices for smaller customers (both small commercial and residential) should be established as described in RRI's Framework in the Introduction. The Neutral Fact Finder process is an administrative means of assessing market prices and is not necessary under RRI's proposal, nor is it currently being used.

39) If rates were to be based on market indices, can current market value estimation methods be used or should another method be employed?

Market adjustable rates should be established as discussed in the Introduction. The Commission is no longer using the Neutral Fact Finder process.

40) **If utilities are required or permitted to take actions to reduce price risk or the volatility of their costs, how should these costs be recovered?**

See response to Question 36.

41) **Rate design issues can also have significant competitive implications. Unless rates are designed to send correct price signals, economically efficient consumption decisions and economically efficient competition will not necessarily result. How can decisions about the method of recovery of production costs and the allocation of those costs among rates and customers be made in a manner likely to promote efficiency, and efficient competition between providers and resources?**

Consumers make efficient consumption decisions when the price they pay for electric service is known (either on a fixed-price or hourly basis), the price is reflective of market conditions, and when they have a choice to consume or a choice of products from which to choose. When administratively overseen products as well as competitive products are offered, it is beneficial to consider the possible distortions created by the administratively designed products and to attempt to mitigate those distortions. Large customers, with usage that can vary significantly over time, are well aware of the hourly fluctuation in energy prices and may have the ability to adjust usage based on energy prices. Given the lack of price signals sent by an administratively overseen fixed-price for term,[2] it is better public policy to have an hourly POLR product and let the competitive market provide any products that these customers desire.

Since smaller customers are less able to respond to an hourly price, it is good policy to offer a product that is more stable than an hourly price. However, it is possible to address the goal of encouraging efficient consumption for these customers by allowing limited market price adjustments as proposed in RRI's framework summarized in the Introduction.

RRI's proposal described in the Introduction is designed to give customers the correct price signals that will foster efficiency and robust sustainable retail competition.

42) **Should the cost of power be determined as a fixed amount in base rates from rate case to rate case?**

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[2] Even a product that is priced based on a competitive bid is subject to distortions due to the administrative nature of the process. Issues such as timing, term, credit, force majeur and switching are more efficiently dealt with in a competitive negotiation than in an administrative process.

No. The utility's price for power (for those rate classes that the utility will be offering fixed price default service – residential and small commercial) should initially be established based on a price that allows for sufficient headroom when compared to market prices at the end of the transition period. The utility price should be adjustable to wholesale price changes at the discretion of the utility no more than twice per year based on a market index. The utility's price for large commercial and industrial customers should be market-based hourly prices.

43) **Should some or all customer rates reflect market indices? How would costs be recovered if some rates were to reflect market indices? Should new market value estimation methods be developed if rates are to be based on market indices? What are the uses, if any, for the Neutral Fact Finder processes in the post-2006 period?**

The utility product for large customers should be an hourly, market-based product as discussed in the Introduction. Therefore, the generation component of the rate charged to large customers for default/POLR service would simply be a pass through of wholesale prices (real-time hourly price (LMP), ancillary services and other fees including hourly spinning reserve charges, hourly real-time operating reserve charges, hourly regulation charges, synchronous condensing charges, hourly marginal transmission losses capacity responsibility for each day, reactive supply service charges and blackstart service charges for supporting the customer's load, and a fixed retail adder). The utility product for small customers should be adjustable no more than two times a year by the utility based on a market index. This will serve the dual purpose of preventing the default price to become below market and also allow the utility to offer a fixed-price with a known adjustment mechanism that will offer customers price stability and allow competitors to remain in the market. Appropriate market indices upon which to base the adjustments can be established through the working group/stakeholder process. As stated in response to Question 38, the Neutral Fact Finder process is not necessary under RRI's framework.

44) **Should Ill. Adm. Code 425 be modified to reflect the "new" more significant role of purchased power in energy costs?**

Yes. The current fuel adjustment clause is based on FERC accounting and includes a reconciliation which is no longer relevant for utilities purchasing power from a competitive market.

45) **Should 83 Ill. Adm. Code 425 be modified to address demand costs, transmission costs, interest, and reinstatement of a fuel adjustment clause after the end of the mandatory transition period? Should the Commission develop rules for a new power purchase clause? Should a separate**

transmission charge (perhaps a rider) be considered? (As opposed to transmission being included as part of a fuel adjustment clause)

Adm. Code 425 should be reflective of the retail market-based price adjustment mechanism detailed in the Introduction.

46) Can or should rates be restructured to eliminate inter and intra-class subsidies in existing bundled rates?

Per RRI's Framework, utilities should not continue to offer bundled rates, but should offer market-based default/POLR service. Therefore, any inter and intra-class subsidies that may have existed in regulated bundled rates are irrelevant to a market design that fosters robust, sustainable retail competition.

47) Should "special rates" (*e.g.*, space heating, lighting) be maintained?

Not in a regulatory construction. The utility should not offer "special rates." Robust, sustainable competitive retail markets will bring these products if customers desire such products. Allowing the utility to offer products that compete with those offered by alternative retail providers will inhibit development of a robust, sustainable competitive retail market. Competitive offers for these customers will be made via alternative retail providers based on the deemed load shape differences for these particular usage patterns.

48) Should charges be restructured to more accurately reflect the costs of providing delivery and customer services that do not vary significantly based on the kilowatt-hours consumed (*e.g.*, standby service rates)?

Delivery and customer services that do not vary significantly should be fixed-price such as metering charges. Transmission and distribution charges should be energy based for residential and non-demand commercial customers and should be demand based for demand-based commercial and industrial customers.

49) Should some or all rates for some or all of the rate classes be determined on a seasonal basis?

Customers taking service on a fixed-price basis should have rates that are adjustable on a seasonal basis. This will prevent the utility price from becoming below market during certain periods of the year. If the utilities' fixed prices become below market, competitors will not be able to remain in the market. See response to Question 33.

50) Should rates for customers who return to bundled service be different from the rates offered to basic bundled service customers? Do customers who move back and forth between bundled services and

delivery services cause additional costs that should be charged only to those customers?

Customers should be free to switch providers at any time.

51) **Should customers returning to bundled service be put on time-based rates as their default option, under opt-out conditions?**

Customers returning to utility provided default/POLR service should be placed on hourly-priced service if a large customer or the market adjustable fixed price service if a small customer.

52) **How should costs related to energy efficiency and demand reduction be charged in rates?**

In a competitive market, energy efficiency and demand reduction should be treated as any other resource. Therefore, costs related to energy efficiency and demand reduction should be treated in rates the same as any other supply procurement costs.

53) **How should costs for obtaining renewable energy be charged in rates?**

Renewable energy procured from a competitive market will likely be marketed as renewable energy product offerings and the cost to procure will naturally be reflected in the competitive offer price. However, the "right amount" of renewable resources will be determined by a robust, sustainable retail market and customer education via customer choice.

54) **What new rates or services, if any, should utilities offer (e.g., green power options)? What kind of rate structures support efficiency? Time of Use rates for business and residential customer classes? Amending of declining block rate structures so that the first block of kWhs on a customer bill are the cheapest kWhs, and the additional kWhs are more expensive?**

Utilities should not offer products that compete with those offered by alternative suppliers, but competitive affiliates should be free to do so. The role of utilities should be to provide default/POLR service for a limited transitory time only. Allowing utilities to offer products other than default service will fail to produce robust, sustainable retail competition and should be offered by a competitive affiliate. Consumers make efficient consumption decisions when the price they pay for electric service is known (either on a fixed-price or hourly basis), the price is reflective of market conditions. Hourly priced service for large customers and market-adjustable fixed price service provides prices that are reflective or market conditions with known adjustments.

55) Should there be an interruptible rate option for transmission and distribution services and/or generation services? How should such a rate be designed?

Utilities should not offer an interruptible rate option for transmission and distribution services and/or generation services. As noted in the response to Question 54, utilities should not offer products that compete with those offered by alternative suppliers, but could be done so through a competitive affiliate. If customers demand such a rate option, alternative suppliers will provide such a pricing option.

56) Should utilities be required to demonstrate consideration of energy efficiency, demand reduction, and distributed generation strategies as part of any proposal for new distribution and/or transmission facilities?

They need to be evaluated on a true economic basis and be provided via the competitive marketplace, not through administratively determined planning. Absolute requirements should not be set for demonstration of these items. By the end of 2004 all of Illinois should be covered by either the MISO or PJM RTO, which make provisions for transmission planning on an reliability and economic basis. These types of options are considered in those processes along with all other competing solutions (i.e. generator, system upgrades, etc) and decisions are made based on the best economic solution from these choices.

57) What are the circumstances under which PPO must be offered subsequent to the end of the mandatory transition period? How should Sec. 16-110 provisions be implemented by the utilities that are required to offer PPO service after 2006?

The utilities should offer market-based pricing as proposed in RRI's Framework following the transition period.

58) Should existing real-time tariffs be modified to encourage customer interest in such tariffs? If so, what modifications are necessary?

Real-time pricing should be offered by alternative suppliers if customers desire such a product. The utility should only provide default/POLR products per RRI's Framework in the Introduction.

59) In the IDC model, the marketing of services by a distribution utility is significantly limited. How does this impact the offering of new rate structures or services, such as real-time pricing, which bring system benefits but which are unfamiliar to consumers and require education and marketing to be successful?

Ultimately in a competitive environment, the distribution utility will no longer be providing any retail products or services. During a transition period, the utility should provide default/POLR services priced as discussed in the Introduction. No other services, such as real-time pricing, should be provided by the utility during the transition period. It will be incumbent upon the competitive marketplace to bring such pricing offers to customers.

60) **What level of reward (or opportunity) is appropriate for a distribution company who purchases "safety net" service for customers? What level of power procurement risk is appropriate for distribution companies?**

See the response to Question 3.

61) **Should Integrated Distribution Company (IDC) rules be changed to provide the option to promote green power, real-time pricing tariffs, curtailable rate options, etc..., by the distribution company?**

No. See the response to Question 54.

62) **How should the cost of power to be included in rates be determined for those non-Integrated Distribution Company (IDC) utilities that continue to own generation? Should it be priced at company cost, at market rates, or on some other basis?**

The Commission should establish rates per RRI's Framework described in the Introduction.

63) **Which types of time-based rates, ranging from TOU to Critical Peak Pricing to Day Ahead Real Time, are appropriate for which customer classes? What has customer acceptance of such been in Illinois and other states to date?**

The utility should no longer provide these types of programs to any customer class. The default/POLR service described in the Introduction will establish a market structure that fosters robust, sustainable retail competition. If customers desire such products, then the competitive market place will bring them.

64) **To what extent is existing infrastructure a barrier to wider deployment of time-based rates? How can electricity providers be provided with cost recovery assurances and incentives that will lead to the necessary infrastructure being put in place?**

A robust, sustainable retail market design will provide the vehicle through which time-based rates can be offered. Utilities should not be in the position of promoting time-based rates – this should be left to competitive retail providers.

65) **Should the requirements related to approval of alternative regulation plans be revisited with a goal of setting forth more realistic requirements so such plans could actually be implemented?**

See the response to Questions 14 and 16.

66) **Should incentives be put in place to encourage consumers to make their demands more price-responsive? What form might such incentives take?**

Appropriate price signals should provide the incentive for customers to make their demands more responsive. Large C&I customers, with hourly metering, and hourly pricing, will be able to make economic decisions based on usage. Small commercial and residential customers, without hourly metering, are less able to make their demands more responsive on an hourly basis, but providing a rate that can be adjusted to wholesale market changes through a transparent adjustment mechanism should also produce appropriate price signals for demand response from these customers as well. There should be no additional incentives for customers to make their demands more responsive.

Competitive Issues

67) **What measures should the Commission undertake to encourage competition for smaller-use customers? To what extent, if at all, must the rates for non-competitive tariffed energy services to such customers be increased to permit such competition?**

Small use customers should be given the same opportunity to enjoy the benefits of a robust, sustainable competitive retail market place as large customers. However, given the consumption levels of smaller customers and their desire for more stable prices than what hourly prices offer means that the pricing and terms and conditions that the utility offers service under may be different from that of larger customer classes.

68) **What measures should the Commission undertake to encourage competition in the service areas of the State's smallest utilities?**

A market design that fosters robust, sustainable retail competition will encourage competition in the State's smallest utilities as long as there are economies of scale through aggregation and sufficient headroom. It is competition that will result in competitive prices, not regulated models that attempt to substitute regulated choices for competitive choices.

69) What role could municipal aggregation programs play in encouraging retail competition for smaller-use customers?

Aggregation, including opt-in municipal aggregation should be allowed. Opt-out municipal aggregation is designed to move customers away from their current retail provider unless action is taken by the customer to prevent such movement (this can be construed as customer slamming and is not good public policy) and thus should not be allowed. Additional financial incentives should not be given to municipal aggregators.

70) What barriers to participation in the market can and should be removed?

As discussed in the Introduction, establishing retail prices in a manner that allows the default/POLR price to be below prevailing market prices is probably the most significant factor inhibiting the development of a robust, sustainable competitive market. The default/POLR services should be priced in a manner to foster competition. Default/POLR prices should establish the ceiling against which other competitors must compete to enter the market; therefore, these prices must be initially set to allow competition and then must be adjustable to changes in market prices.

Another barrier to entry that can be removed is the ability of the utility to offer products that compete against those of alternative suppliers. Utility products should be designed to facilitate the development of a competitive market not hinder it. The utility should only serve the role of providing default service for a limited time, not competitive service. Alternative suppliers will offer customers products and prices that best meet their needs, thus allowing them the benefits that a competitive marketplace can bring.

To effectively remove these barriers the changes RRI recommended to the Choice Law in the Introduction should be considered.

71) Should regulations regarding codes of conduct and utility-affiliate activities be modified?

RRI offers no comment at this time.

72) How will the Commission address the special cost allocation and affiliated interest problems that accompany a utility with joint costs for regulated and unregulated activities?

Cost allocation can be done numerous ways and may require a study to determine the best approach. Examples of allocation methods include: asset basis, customer basis, or O&M basis.

73) What further progress can be made towards uniform tariffs?

Uniformity of tariffs is not a necessity for ensuring alternative retail providers enter the market, the proper market design is the key driver.

74) Are there specific actions the Commission can take, either through the FERC or other national or regional forums, to improve the competitiveness of the Illinois wholesale market, either through improvements in transmission availability or through better market design?

The Commission should support the integration of ComEd into PJM and support the MISO in implementing markets in December of 2004. This will help to accomplish both of the above methods for increasing competitiveness.

75) Is providing competitively priced wholesale power for small-use customers enough to meet the "benefits" and "equity" directive in the '97 Law? (Rather than focusing on retail competition)

No. The Choice Law states that "All consumers must benefit in an equitable and timely fashion from the lower costs for electricity that result from retail and wholesale competition..."[3] The Choice Law clearly states that customers are to benefit from both wholesale and **retail** competition. Denying customers the benefits of robust, sustainable retail competition does not meet the directives of the Choice Law. While lower costs for small-use customers have been seen, the Choice Law importantly notes that benefits can be had from "opportunities for new products and services."[4] It is a competitive retail market that will bring such offerings to customers.

76) Should retail competition be encouraged if bundled use customers reap benefits through wholesale competition?

See response to Question 75. The default/POLR price should be set at a level that encourages competition. The price should be set based on market conditions and should be adjusted to reflect changes in the market price of power as discussed in the Introduction.

77) Should the regulatory regime create rules for LDC's to provide competitively priced power to individual customers?

Local distribution utilities should not provide competitively priced power to individual customers. As noted in the Introduction, the ability of utilities to

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[3] Choice Law, Section 16-101A (e)
[4] The Choice Law, Section 16-101A (b).

compete with alternative provides can severely hamper the development of robust, sustainable retail markets.

78) **How should residential choice be addressed (including to a certain degree whether true "choice" itself at the residential level is an appropriate goal)?**

The Choice Law states that electric choice should be available for all consumers in the state of Illinois. Residential customers should be given the opportunity to benefit from a competitive market design. However, in order to have a robust, sustainable competitive market for residential customers there must be sufficient headroom to allow alternative providers to enter the market.

79) **What are the barriers to competitive providers providing demand response programs and/or dynamic pricing offers and what can FERC and/or the Commission do to address such?**

Demand response is a key component of customer choice and an efficient competitive wholesale and retail market. Market rules should be established that allow demand response participation through competitive rather than administrative means. In the wholesale market, demand should be able to set the market-clearing price just as generation does. Thus, fair and consistent treatment for all market participants is necessary. The Commission should participate in each RTO/ISO to support market-based demand acting as a resource process so that the retail market can provide competitive offerings on demand responsive programs.

Utility Service Obligations After 2006

80) **What should be the nature of utilities' regulated load serving obligations after 2006? Should there continue to be any obligation for the utility to offer a regulated commodity or "POLR" product? If so, to which customer classes? And, if so, should it be offered on a bundled or unbundled basis?**

RRI believes that the utility should offer market-based default/POLR service as discussed in the Introduction, no longer be required to offer real-time pricing, nor offer products that compete with those offered by alternate retail providers. In a purely competitive environment there is no need for the utility to offer any regulated service. Also, see the response to Question 70.

81) **What if the incumbent does not wish to retain the default service responsibility? Is an alternative arrangement feasible, given the**

incumbent's distribution monopoly and obligation to operate the system reliably (even if there are supply imbalances)?

The Texas market is structured in just such a manner. The incumbent is not required to maintain POLR responsibility, but may serve in that role should it be selected through the lottery process discussed below. The default service for large commercial and industrial customers in Texas is at market and default service for small commercial and residential ends on January 1, 2007. A summary of the POLR procurement methodology in Texas follows:

A POLR provider is either selected by bid or appointed via lottery to serve a two-year term.[5]

- Appointments or selections are made for each customer class in each service territory participating in competition. A single service territory can have a different provider for each customer class.

- As long as the PTB is in effect, the affiliate retail electric provider ("AREP") cannot be required to provide POLR service in-territory for the residential and small non-residential classes. However, the AREP is eligible to provide POLR service to these classes in-territory if it agrees to provide POLR service at the PTB.

- Selection via retail price bid:

    - Every two years, the Commission will hold a bid-process for each customer class in each territory. Parties desiring to be the POLR may submit a bid subject to a floor and a ceiling. For PTB classes, bids may not be below the PTB or above 125% of the PTB at a designated measurement level. For large non-residential classes, bids may not include an energy charge greater than 150% of market clearing price of energy ("MCPE").

    - The commission will evaluate the bids and ensure they fall within bid floor/ceiling. The low bid will be appointed to serve as the POLR.

    - Where bids have not been successful, the Commission will conduct a lottery of eligible REPs to appoint a POLR. The REPs need not be an affiliated REP. There are certain exclusions that apply in the lottery (i.e. if a REP is already serving as POLR in two or more service territories for a given customer class), it has the option of being excluded from any lotteries for that given customer class. Also, an AREP cannot be

[5] Per Texas Sustantive Rule 25.43

appointed via lottery to a PTB customer class in-territory as long as the PTB is in effect.

- POLRs provided via the lottery will be required to provide service at:
  - The rate charged by a POLR selected by lottery shall be 125% of the applicable standard price to beat rate for residential and small non-residential customer classes.
  - For the Large non-residential customer class, the rate charged by a POLR selected by lottery shall be non-bypassable charges plus 150% of the applicable energy reference price as determined under paragraph (2)(C)(iii) of this subsection and a monthly customer charge of $2897. The minimum energy reference price shall be $7.25 per megawatt hour.

82) **Is electric service to additional classes of customers likely to be competitive after 2006? Will the provision of electric power and energy continue to be competitive in some territories and not in others?**

The success of competition for all customer classes will depend on the market rules adopted. The Framework RRI has put forth will ensure that robust, sustainable competition exists for all customer classes. Creating such an environment will allow alternative retail providers to enter and remain in the market offering customer products and services that better meet their needs.

83) **Regulation of rates for tariffed electric services has traditionally been on a cost-of-service basis. Only the telecommunications markets, with mandated retail competition structures, have been deemed sufficiently competitive for price cap regulation. What criteria will be used to determine the sufficiency of competition?**

The Choice Law, Section 16-113 requires the Commission to "declare the service to be a competitive service ...if the service or a reasonably equivalent substitute service is reasonably available ... at a comparable price from one or more providers other than the electric utility or an affiliate of the electric utility, and the electric utility has lost or there is a reasonable likelihood that the electric utility will lose business for the service to the other provider or providers." Under this statutory construct, if one or more non-utility alternative retail providers offer a similar service at a similar price competition should be deemed sufficient.

84) **Should utilities offer services at long-term (a year or longer) fixed prices? Or should at least the power and energy prices vary with the market? If the latter, what is the appropriate time step for adjusting the price?**

See RRI's proposal in the Introduction. There should be only one default/POLR offer for each class.

85) Should different POLR choices be offered to different classes of customers?

Yes. See the Introduction.

86) Should POLR offerings be uniform by customer class across the state? If utilities are in different situations with respect to RTOs and organized markets, should that affect the POLR choice?

Crafting a market design that supports robust, sustainable retail competition does not require uniform default/POLR tariffs (for example, different prices due to locational pricing differences would necessitate different utility prices) in all the utilities' service territories. It is the manner in which utility prices are determined that should be uniform and transparent. Having transparent price adjustment mechanisms that are responsive to wholesale market price changes will result in a level playing field so that alternative retail suppliers can compete.

87) If utilities offer a fixed price commodity POLR offering, how should the price be set? What role should the ICC have in overseeing the supply arrangements that the utility enters into to provide supply for such a service offering?

RRI believes default/POLR prices should be established per the Framework given in the Introduction. For small customers, an initial generation price should be established for small customers that allows for sufficient headroom when compared to market prices at the end of 2006. Large customers' default/POLR pricing should be hourly.

The Commission should not oversee supply arrangements as previously noted.

88) If utilities offer a variable price commodity POLR offering, how should the price be set? What role should the ICC have in overseeing the supply arrangements that the utility enters into for such a service? In particular, under a variable POLR pricing policy, should the ICC set requirements for how much the utility can and should rely on the shorter term market to provide such resources?

See response to Question 2 and Question 87. Default/POLR prices should be established per RRI's Framework discussed in the Introduction and the utility should be able to procure supply for meeting the default/POLR load obligations in a manner that best fits its own risk profile.

89) What are the circumstances under which PPO must be offered subsequent to the end of the mandatory transition period? How should Sec. 16-110 provisions be implemented by the utilities that are required to offer PPO service after 2006?

Duplicate of Question 57, See response to that question.

Energy Assistance

90) How should state energy assistance programs be provided for low-income customers who cannot afford to pay just and reasonable rates?

One way would be to have a non-bypassable rider charged to all customers. In Texas, the System Benefit Fund is financed by a non-bypassable charge set by the Commission, not to exceed 65¢/MWh. This Fund provides, *inter alia*, a 10% discount to low-income customers. Electric customers who receive certain benefits from the Texas Department of Human Services are automatically enrolled in the discount program. Any electric customer whose household income is not more than 125% of federal poverty guidelines may self-enroll to receive the discount.

91) Is the current surcharge level adequate for energy assistance?

RRI offers no comment at this time but believes the policy makers should be provided sufficient information from each utility so that this determination can be made.

92) Are there other regulatory and/or legislative mechanisms that should be considered?

The non-bypassable rider has been effective in the Texas market.

93) Is there a role for economic development "rates" in a post-transition marketplace? If so, should tariffed non-competitive energy services offered by utilities be the vehicle, or can the State implement economic development programs through the competitive sector as well?

Establishment of a robust, sustainable retail market will create an environment in Illinois whereby multiple suppliers offer new products and services designed to meet customers' desires. Such an environment will entice customers to locate in Illinois.